

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 EB-08 TRSE-00 ICA-20
/060 W

-----059807 101349Z /75

R 100732Z MAY 78
FM AMEMBASSY BUDAPEST
TO USDA-FAS WASHDC
INFO SECSTATE WASHDC 1421
AMEMBASSY BUCHAREST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW
USMISSION GENEVA
USDOC WASHDC

UNCLAS SECTION 1 OF 2 BUDAPEST 1886

USDA FOR FAS/W - SAYLOR
WARSAW FOR HUGHES (SECRETARY BERGLAND'S PARTY)
GENEVA FOR KONIG

E.O. 11652: N/A
TAGS: NA/A
SUBJECT: U.S. AGRICULTURAL MARKET DEVELOPMENT TEAM VISIT TO
HUNGARY MAY 4-9

1. U.S. AGRICULTURAL MARKET DEVELOPMENT TEAM CONCLUDED ITS
VISIT TO HUNGARY, WHERE IT MET WITH OFFICIALS FROM THE MINIS-
TRIES OF AGRICULTURE AND TRADE, CENTRAL PLANNING OFFICE, AND
TRADE ORGANIZATIONS. TEAM ALSO VISITED A LARGE STATE AND A
LARGE COLLECTIVE FARM WHERE IT OBSERVED DAIRY AND HOG OPERA-
TION AS WELL AS MIXED FEED OPERATIONS. HIGHLIGHT OF VISIT
WAS HOUR-AND-A-HALF-LONG MEETING WITH DEPUTY ASSISTANT SECRE-
TARY ISTVAN KOVACS, WHO IS RESPONSIBLE FOR HUNGARY'S AGRICUL-
TURAL PRODUCTION AND TECHNOLOGICAL DEVELOPMENT.

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2. KOVACS OUTLINED HUNGARY'S PROGRESS IN FARMING IN
RECENT YEARS, CITING DRAMATIC DEVELOPMENT IN GRAIN
AND LIVESTOCK PRODUCTION. HE GAVE CREDIT TO U.S. IN
HELPING TO DEVELOP THE INDUSTRIAL PRODUCTION SYSTEM
FOR CORN, WHICH SINCE HAS SPREAD OVER TO OTHER COMMO-
DITIES TOO. LIKEWISE HE ACKNOWLEDGED U.S. ASSISTANCE IN

IMPROVING HUNGARY'S DAIRYHERD DURING THE PAST FIVE YEARS.

3. IN DISCUSSING FUTURE PROSPECTS FOR TRADE, KOVACS REFERRED TO THE RECENT PROGRESS MADE IN RESTORING MFN TO HUNGARY. HE THOUGHT THAT ONCE THE ISSUE WAS SETTLED IT WOULD HAVE BENEFICIAL EFFECTS ON AGRICULTURAL TRADE FOR BOTH SIDES. ON THE ONE HAND HUNGARY MAY STEP UP PURCHASES OF SOYBEAN MEAL AND BREEDING MATERIAL FOR ITS LIVESTOCK INDUSTRY AND TECHNOLOGY WHILE AT THE SAME TIME IT COULD MAKE HUNGARY'S OFFER TO SELL VARIOUS FOOD PRODUCTS TO THE U.S. MORE ATTRACTIVE.

4. FOLLOWING ARE TEAM'S OBSERVATIONS ON TOPICS OF SPECIAL INTEREST TO U.S. AGRICULTURE:

A. CCC CREDIT. PRODUCTIVE DISCUSSION WITH DR. LAJOS LADA, AGRICULTURAL DIRECTOR, FOREIGN TRADE MINISTRY, AND MR. E. SZIKLAI, FOREIGN TRADE MINISTRY INTERNATIONAL AFFAIRS SPECIALIST, INDICATED INTEREST BUT UNFAMILIARITY WITH ACCESS PROCESS FOR CCC CREDIT. EXPLANATORY TEAM TALKS MAY ENHANCE LATER OFFICIAL DISCUSSION TOWARD POSSIBLE CCC CREDIT LEVELS TO INCLUDE COTTON, SOYBEANS, SOYBEAN MEAL, BREEDING CATTLE, MIXED FEED CONCENTRATES, AND POSSIBLY RICE. ADDITIONAL INFORMATION WAS FURNISHED AT THE HUNGARIANS' UNCLASSIFIED

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REQUEST. SZIKLAI ALSO SAID THAT THEY MAY PROVIDE SOME INDICATION OF THE LEVEL OF INTEREST IN FUTURE CREDIT.

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USDA FOR FAS/W - SAYLOR
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B. SOYMEAL AND SOYBEAN IMPORT PROSPECTS. HUNGARY'S PROTEIN MEAL IMPORT REQUIREMENTS ARE APPROXIMATELY 600,000 TONS ANNUALLY. FOR THE NEXT TWO TO FOUR YEARS OIL MEAL IMPORTS ARE EXPECTED TO INCREASE FIVE PER CENT ANNUALLY. THE BULK OF THESE OIL MEAL IMPORTS WILL CONTINUE TO BE SOYMEAL. THE GOH IS DEVELOPING ALTERNATIVE SOURCES OF DOMESTIC PROTEIN SUCH AS ANIMAL MEAL, ALFALFA MEAL AND SUNFLOWER MEAL SO AS TO REDUCE SOYMEAL IMPORT REQUIREMENTS BY THE MID 80'S. GIVEN THE APPARENT UNDERUTILIZATION OF PROTEIN IN FEEDING AND THE PROBLEMS INVOLVED IN SECURING MORE PROTEIN FROM OTHER SOURCES, IT IS THE OPINION OF THE TEAM THAT THE GOH WILL HAVE DIFFICULTIES IN REACHING THE LONG-RUN OBJECTIVE OF REDUCING UNCLASSIFIED

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SOYMEAL IMPORTS.

HUNGARY HAS STABILIZED SOYBEAN AREA AT 35-40,000 HECTARES FOR THE NEAR FUTURE. THE GOH EXPRESSED NO INTEREST IN IMPORTING SOYBEANS AS THE SOY OIL CANNOT BE SOLD DOMESTICALLY.

C. EXPORT PROSPECTS. WHILE HUNGARY HAS SOME AMBITIOUS PLANS TO INCREASE EXPORTS, TEAM FOUND AN UNDERLYING CAUTIOUSNESS IN APPROACHING EXPANSION. NEGOTIATIONS HAVE NOT BEGUN WITH OTHER EASTERN BLOC COUNTRIES (WHICH ACCOUNT FOR TWO-THIRDS OF TRADE) FOR 1980-85 PERIOD. THREE MAJOR GROWTH AREAS: GRAIN -- PLAN IS TO DOUBLE EXPORTS BY 1990 WITH TWO-THIRDS INCREASE CORN BALANCE WHEAT; POULTRY IF CURRENT NEGOTIATIONS ON LONG-TERM SUPPLY CONTRACT WITH USSR SUCCESSFUL THEN BOTH PRODUCTION AND EXPORTS COULD DOUBLE BY 1985; ERRATIC WESTERN

MARKET CONDITIONS HAVE A TEMPORING EFFECT, HOWEVER;
SPECIALTY PRODUCTS -- RABBIT, GOOSELIVER AND GAME
EXPANDING RAPIDLY TO TAP EC MARKT. CURRENT 30,000
TONS OF RABBITS FOR EXAMPLE EXPECTED TO DOUBLE BY
1985.

D. HUNGARY'S LONG-RANGE PRODUCTION GOALS IN AGRI-
CULTURE CALL FOR A 50 PER CENT INCREASE BY 1990.
BECAUSE OF LIMITED LAND RESOURCES AND LABOR, THIS MUST
BE ACHIEVED BY INCREASED APPLICATION OF TECHNOLOGY IN
FARMING, FEED MIXING AND RELATED FEED TECHNOLOGY.
SPECIFIC EQUIPMENT MENTIONED INCLUDED LABORATORIES
FOR FEED ANALYSIS, MILKING MACHINERY, FORAGE HARVEST-
ING EQUIPMENT, HATCHERIES AND PLANTS AND EQUIPMENT
FOR PROCESSING ANIMAL OFFAL FOR PROTEIN FOOD.
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5. GENERAL COMMENTS. TALKS WERE CONSTRUCTIVE AND
DIRECTLY TO POINTS OF CONCERN. RELATIVE SOPHISTICA-
TION OF HUNGARIAN AGRICULTURAL AND TRADE LEADERSHIP
IS APPARENT. TEAM WAS WELL RECEIVED IN THIS VISIT
WHICH WAS TIMELY IN VIEW OF CURRENT FAVORABLE U.S.-
HUNGARY CLIMATE AND SECRETARY'S IMPENDING VISIT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURE, REPORTS, CONSULTANTS, DEVELOPMENT PROGRAMS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUDAPE01886
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780198-0622
Format: TEL
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780575/aaaacnze.tel
Line Count: 199
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8ff4b0a1-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2740535
Secure: OPEN
Status: NATIVE
Subject: U.S. AGRICULTURAL MARKET DEVELOPMENT TEAM VISIT TO HUNGARY MAY 4-9
TAGS: OTRA, EAGR, US, HU
To: AGR
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8ff4b0a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014